

# Industry Circular



## Internal Revenue Service

Alcohol and Tobacco Tax Division  
Washington, D.C. 20224

Industry Circular No. 68-30

October 28, 1968

SDA FORMULAS NOS. 40, 40-A, 40-B, AND 40-C

Proprietors of distilled spirits plants;  
dealers in, and users of, specially  
denatured spirits, and others concerned:

This circular is issued to inform you of the provisions of a revenue procedure which will soon be published in the Internal Revenue Bulletin. The revenue procedure will prescribe instructions to effect the use of specially denatured alcohol Formulas Nos. 40 and 40-A, as amended, and of new specially denatured alcohol Formulas Nos. 40-B and 40-C, prescribed under Subpart D, 26 CFR Part 212, as amended by Treasury Decision 6977, effective February 1, 1969. The procedures in the revenue procedure are designed to preclude the filing of the many new formulas, Forms 1479-A, for the use of SDA Formulas Nos. 40 and 40-A, as amended, and the many new Forms 1485 (withdrawal permits) which would ordinarily be necessary. The revenue procedure also furnishes guidance and information respecting marks on containers, and records, reports, and forms.

The revenue procedure will be published substantially as follows:

### 1. BACKGROUND.

Revenue Rulings 66-8, C.B. 1966-1, 316; and 66-194, C.B. 1966-2, 535, authorized the use of alternate denaturants, in addition to those set forth in 26 CFR 212.57, in the manufacture of specially denatured spirits under Formula No. 40. This resulted in eight different formulations, all of them designated merely as SDA Formula No. 40. 26 CFR 212.58 prescribed the use of denaturants in the manufacture of specially denatured spirits under Formula No. 40-A.

Treasury Decision 6977, effective February 1, 1969, amends 26 CFR 212.57 and 212.58 and adds two new sections, 26 CFR 212.58a and 212.58b, to provide four formula numbers to cover the nine formulations of specially denatured alcohol Formula No. 40 and Formula No. 40-A.

In the Treasury decision, Formula No. 40 combines the formulations which were in paragraph (a)(1) of § 212.57, and calls for (in addition to 1/8 gallon of tert.-butyl alcohol) 1 1/2 ounces brucine (alkaloid) or 1 1/2 ounces brucine (sulphate) or 1 1/2 ounces quassin, or 1 1/2 ounces of any combination of the three; Formula No. 40-A combines the formulations (both modified) which were in paragraph (a) of § 212.68 and in option (a) of Revenue Ruling 66-8 and calls for one pound of sucrose octaacetate and 1/8 gallon tert.-butyl alcohol; Formula No. 40-B combines the formulations (all modified) which were in paragraph (b) of § 212.57 and options (b) and (c) of Revenue Ruling 66-8 and calls for 1/16 ounce of Bitrex and 1/8 gallon of tert.-butyl alcohol; and Formula No. 40-C covers the formulation which was in option (d) of Revenue Ruling 66-8 and calls for 3 gallons of tert.-butyl alcohol with use restricted to products packaged in aerosol containers.

### 2. FORM 1479-A, FORMULA FOR ARTICLE MADE WITH SPECIALLY DENATURED ALCOHOL OR RUM.

Each user of specially denatured spirits who manufactures articles pursuant to approved formulas on Form 1479-A requiring the use of SDA Formulas Nos. 40 and 40-A and who, on and after February 1, 1969, will continue to manufacture such articles under SDA Formulas Nos. 40 and 40-A, as provided by Treasury Decision 6977, will not be required to resubmit such formulas on new Forms 1479-A. However, each user who desires to use or to continue the use of any of the formulations listed under Formulas Nos. 40-B and 40-C is required to submit to the Director, Alcohol and Tobacco Tax Division, Washington, D. C. 20224, through the Assistant Regional Commissioner, Alcohol and Tobacco Tax, of the region in which his

premises are located, a separate Form 1479-A, in quadruplicate, for each process or article using Formula No. 40-B or 40-C. Where such Form 1479-A covers the continued use of a previously approved formulation, the Form 1479-A should show, in item 11b, and in addition to the required information for Formulas Nos. 40-B and 40-C, the date the prior Form 1479-A was approved and the Laboratory Number of the sample, if any. Previously approved samples of articles and ingredients need not be resubmitted with the new Form 1479-A. To allow time for processing, these Forms 1479-A should be submitted as soon as possible before February 1, 1969, so that the user's operations will not be delayed.

3. FORM 1485, APPLICATION AND WITHDRAWAL PERMIT OF USER TO PROCURE SPECIALLY DENATURED SPIRITS.

Any user holding approved Form 1485, withdrawal permit, to procure SDA Formulas Nos. 40 and 40-A will not be required to submit new application on Forms 1485 covering the amended or new formulas. However, applications on Form 1485 for renewal of withdrawal permits expiring October 31, 1969, must show the exact formula numbers as provided by regulations. A permittee not holding approved Form 1485, withdrawal permit, for Formulas 40 and/or 40-A on the effective date of the Treasury decision and who desires to use Formula No. 40, 40-A, 40-B, or 40-C must submit application therefor on Form 1485 for permit to procure such specially denatured alcohol formulas.

4. MARKS ON PACKAGES OF SDA FORMULA NO. 40.

Proprietors of distilled spirits plants and dealers in specially denatured spirits who have on hand, as of the beginning of business February 1, 1969, containers of SDA Formula No. 40 shall, if applicable, remark each such container, before it is withdrawn, with the new formula number (40, 40-A, 40-B, or 40-C) which is appropriate to the denaturants used in producing the particular specially denatured alcohol.

5. RECORDS AND REPORTS.

For transactions occurring on and after February 1, 1969, proprietors of distilled spirits plants and dealers in specially denatured spirits shall use the new SDA formula numbers prescribed by 26 CFR 212.57 through 212.58b, in instances where such formula numbers are required to be shown in their records, on transaction forms, or on reports.

Users of specially denatured spirits who, at the beginning of business February 1, 1969, have on hand or in transit to them quantities of SDA Formulas Nos. 40 and 40-A will carry such quantities through their records, and reflect them on Forms 1482, User's Report of Denatured Alcohol or Rum, as SDA Formula Nos. 40 and 40-A until those quantities have been used in articles and processes in accordance with Forms 1479-A. In accordance with item 4, above, subsequent quantities would be received in containers marked to show the formula numbers prescribed by 26 CFR 212.57 through 212.58b. Such subsequent quantities should of course be recorded in records and be reflected on Forms 1482 under formula number SDA 40, 40-A, 40-B, or 40-C, as appropriate.

6. EFFECT ON FORMS.

Section III of Form 2732, Monthly Report of Denaturing Operations, has been revised to add lines for reporting withdrawals of Formulas Nos. 40-B and 40-C. Proprietors of distilled spirits plants shall, when completing Section III of Form 2732 on the report for June 1969, report the quantities of SDA Formulas 40, 40-A, 40-B, and 40-C withdrawn during the year, in accordance with the formula number under which the specially denatured alcohol was withdrawn.

7. EFFECT ON OTHER DOCUMENTS.

Revenue Ruling No. 66-8, C.B. 1966-1, 316; Revenue Ruling No. 66-194, C.B. 1966-2, 535; and Revenue Ruling No. 66-352, C.B. 1966-2, 536, are superseded.

Inquiries concerning this circular should refer to its number and be addressed to your Assistant Regional Commissioner, Alcohol and Tobacco Tax.

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